

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2018-319-E

| | | |
|--|---|------------------------------|
| In the Matter of: |) | |
| |) | |
| Application of Duke Energy Carolinas, LLC |) | REBUTTAL TESTIMONY OF |
| for Adjustments in Electric Rate Schedules |) | LESLEY QUICK |
| and Tariffs and Request for Accounting Order |) | FOR DUKE ENERGY |
| |) | CAROLINAS, LLC |

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND CURRENT**
2 **POSITION.**

3 A. My name is Lesley Quick, and my business address is 400 South Tryon Street,
4 Charlotte, North Carolina. I am employed by Duke Energy Corporation ("Duke
5 Energy") as Vice President, Revenue Services.

6 **Q. WHAT ARE YOUR PRIMARY RESPONSIBILITIES AS VICE**
7 **PRESIDENT, REVENUE SERVICES?**

8 A. I am responsible for developing the strategy, operational plans, business controls
9 and workforce strategy for the Company's billing operations, payment processing
10 across multiple channels and credit and collection processes for approximately 8
11 million retail electric and gas customers across six jurisdictions. I am also
12 responsible for the customer experience across these operations and ensuring
13 appropriate compliance with regulatory guidelines and policies throughout the
14 critical billing, revenue and payment streams.

15 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
16 **PROFESSIONAL EXPERIENCE.**

17 A. I obtained a Bachelor's degree in Financial Management from Clemson
18 University in 2002. I started with the Company two weeks after graduation and
19 have remained an employee for the past 17 years. Since 2002, I have worked for
20 the Company in a variety of roles, each with increasing responsibility, in Finance,
21 Rates and Regulatory Compliance, Corporate Strategy and Customer Solutions

1 products and services. I assumed my current position in Customer Services in
2 2017.

3 **Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS**
4 **PROCEEDING?**

5 A. No, I did not.

6 **II. PURPOSE AND SCOPE**

7 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

8 A. The purpose of my rebuttal testimony is to respond to: (1) the South Carolina
9 Office of the Regulatory Staff (the “ORS”) witness Gaby Smith’s
10 recommendation to not include the Company’s growth projections in the
11 Company’s proposed adjustment for credit, debit and Automated Clearing House
12 (“ACH”) payment (collectively, “credit card”) expenses; and (2) the South
13 Carolina State Conference of the National Association for the Advancement of
14 Colored People, the South Carolina Coastal Conservation League and Upstate
15 Forever (collectively, “SC NAACP/CCL/UF”) witness John Howat’s requests for
16 DE Carolinas to publicly file with the Commission monthly data regarding
17 general residential and low-income customer accounts, billing, receipts,
18 arrearages, notices of disconnections, bill payment agreements, disconnections of
19 service for nonpayment, reconnections of service after disconnection for non-
20 payment, accounts written off as uncollectible, and accounts sent to collection
21 agencies.

1 **III. RESPONSE TO ORS WITNESS SMITH**

2 **Q. PLEASE DESCRIBE ORS WITNESS SMITH'S RECOMMENDATION**
3 **REGARDING THE COMPANY'S ADJUSTMENT FOR CREDIT CARD**
4 **FEE EXPENSES.**

5 A. ORS witness Smith does not object to the Company's proposal to allow
6 residential customers to use their credit cards to pay their electric bill without
7 being charged a convenience fee by allowing the Company to recover the costs of
8 credit card fee expenses through the Company's cost of service. Witness Smith
9 recommends the exclusion of the Company's growth projections in its calculation
10 of credit card fee expenses by arguing that the growth projections are not known
11 and measurable.

12 **Q. DO YOU AGREE WITH WITNESS SMITH'S RECOMMENDATION?**

13 A. No. The purpose of the Company's proposal is to enable residential customers to
14 make payments through several methods without incurring a transaction fee. The
15 requirement to pay a transaction fee when making a payment is one of the largest
16 frustrations customers experience when paying their utility bill. Customer
17 complaints over these additional fees stem from the fact that these fees are already
18 accounted for in the retail price of virtually all other products that consumers
19 purchase every day. For example, in the Company's 2018 Monthly Residential
20 Transaction Surveys, residential customers noted the following when asked what
21 they liked least about their billing and payment experience:

22 *"Not charge a fee for using a credit card."*

1 *“Take away the service charge. I just don’t understand why you want to*
 2 *charge somebody \$1.50.”*

3 *“The only thing that I can say is I think they want to penalize you. If you*
 4 *want to pay a certain way, they charge you extra.”*

5 As customer expectations change and more payments are done electronically,
 6 utility companies are beginning to offer fee-free payment programs for their
 7 residential customers for all methods of payment.¹ Additionally, consumer
 8 advocate groups have suggested that convenience fees for paying utility bills can
 9 be burdensome to customers.²

10 Accordingly, industry research shows that by eliminating the requirement
 11 for residential customers to pay a credit card fee every time they make a payment,
 12 the Company will experience a significant, year over year, increase in the usage of
 13 credit cards (i.e., the growth or take rate) to pay their electric bills. As such,
 14 unless the Company’s cost of service can be adjusted to reflect a reasonable level
 15 of growth associated with the increase in usage, the amount reflected in rates will
 16 be significantly less than the Company’s cost to administer the service for
 17 residential customers. Further, the distance between the amount reflected in the
 18 rates and the costs to provide this service to residential customers will continue to

¹ According to J.D. Power and Associates, as of 2016, about 28 percent of surveyed electric utilities provide a fee-free card payment option. *See* J.D. Power Catalog. J.D. Power and Associates, 2016 Electric Utility Residential Customer Satisfaction Study.

² Nat’l Ass’n of State Util. Consumer Advocates, *Urging Utilities to Eliminate “Convenience” Fees for Paying Utility Bills with Debit and Credit Cards and Urging Appropriate State Regulatory Oversight* (Nov. 13, 2012), available at <https://nasuca.org/2012-07-urging-utilities-to-eliminate-convenience-fees-for-paying-utility-bills-withdebit-and-credit-cards-and-urging-appropriate-state-regulatory-oversight/>.

grow over time. To prevent this, the Company believes it is appropriate to maintain its estimated growth projection in its proposed adjustment.

Q. DOES THE COMPANY’S ADJUSTMENT INCLUDE A REASONABLE PROJECTION FOR GROWTH?

A. Yes. The Company derived its growth projections from historical and current payment transaction data beginning in 2014. Specifically, Duke Energy extracted transaction volume detail from its Customer Information System (“CIS”) applications across the Carolinas, from 2014 through 2017, and recorded year over year average growth in credit card transactions over the past several years.

| Year | DEC Transactions | % Increase | Year | DEP Transactions | % Increase | Year | DEP and DEC Combined Transactions | % Increase |
|------|------------------|------------|------|------------------|------------|------|-----------------------------------|------------|
| 2014 | 4,683,008 | | 2014 | 1,972,629 | | 2014 | 6,655,637 | |
| 2015 | 5,148,767 | 10% | 2015 | 2,282,542 | 16% | 2015 | 7,431,309 | 12% |
| 2016 | 5,563,216 | 8% | 2016 | 2,520,137 | 10% | 2016 | 8,083,353 | 9% |
| 2017 | 6,055,070 | 9% | 2017 | 2,824,130 | 12% | 2017 | 8,879,200 | 10% |
| | | 9% [1] | | | 13% [1] | | | 10% [1] |

[1] – Average historic year over year growth

The Company then benchmarked its growth projections against industry data. The Company’s industry research supports higher growth in this channel once customers are no longer being charged transaction fees. For example, Fiserv, an industry leader in payment card processing, conducted transactional research comparing free bill payment methods to fee-based bill payment methods. According to their analysis, companies that offered free bill payment methods experienced at least double the year over year increase in the number of credit card transactions than those who offered fee-based bill payment methods. The Company also reviewed recent fee free credit card proposals filed by utilities

1 around the country and found that the projected increase in credit card
2 transactions cited by utilities ranged anywhere from 5 to 30 percent. Further, the
3 Company benchmarked against a similarly-situated electric utility that offers fee-
4 free credit card usage. The results of the benchmarking showed that the increase
5 in annual credit card payments doubled in the channel in the first year and have
6 shown steady growth, year over year.

7 Based on historical data and industry research, the Company is therefore
8 projecting the increase in the annual credit card payment post-deployment to
9 double in the first year. Specifically, because the Company's current level of
10 credit card payments continues to increase approximately 10 percent per year, the
11 Company is projecting an additional 10 percent increase (i.e., double the increase
12 from the prior year) in credit card activity once the program is implemented, for a
13 total increase of 20 percent. For the reasons stated above, the Company's growth
14 projection is reasonable and should be reflected in the adjustment. Otherwise, the
15 Company will be penalized for implementing a program designed to improve our
16 customers' satisfaction with their payment experience.

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Q. IF THE COMMISSION DETERMINES THAT INCLUDING THE GROWTH PROJECTION IN THE ADJUSTMENT IS NOT APPROPRIATE, ARE THERE ALTERNATIVES AVAILABLE THAT WILL ENABLE THE COMPANY TO STILL ADMINISTER THE PROGRAM?

A. Yes. While the Company believes incorporating the growth projection in the credit card fee adjustment is the best method to ensure the Company is collecting an amount reflective of the increase in credit card usage, an alternative option is to allow the Company to establish a deferral for the credit card fee expenses the Company will incur that are incremental to the amount reflected in rates.

IV. RESPONSE TO WITNESS HOWAT

Q. PLEASE DESCRIBE WITNESS HOWAT’S RECOMMENDATIONS REGARDING THE COLLECTING AND REPORTING OF CUSTOMER-RELATED INFORMATION.

A. Witness Howat recommends the Commission require DE Carolinas to prepare, file with the Commission, and make available to the public monthly, detailed customer data for residential customers and low-income customers. He cites numerous data points including, by *zip code*: billing, receipts, arrearages, notices of disconnection, bill payment agreements, disconnections of service for nonpayment, reconnections of service after disconnection for non-payment, accounts written off as uncollectible and accounts sent to collection agencies.

1 **Q. DO YOU AGREE WITH WITNESS HOWAT’S RECOMMENDATION?**

2 A. No. First, the Company already provides a significant level of detail pertaining to
3 non-pay service disconnects. Pursuant to Docket No. 2006-193-EG, the
4 Company, along with all other investor-owned utilities (“IOUs”) in South
5 Carolina, files quarterly reports on voluntary and involuntary disconnections of
6 service.³ The quarterly reports include the following data and information: (1)
7 total number of accounts whose services have been voluntarily or involuntarily
8 disconnected; (2) the reason for the disconnection; (3) the average duration of
9 service interruption; and (4) the Company procedures in effect governing
10 delinquent account disconnections. The Company believes the data contained in
11 these reports provides the Commission with sufficient information about the
12 Company’s disconnection policies, procedures and number of accounts affected.
13 Further, since the IOUs uniformly report on non-pay service disconnects per
14 Docket No. 2006-193-EG, any change in reporting obligations for DE Carolinas
15 would likely cause a ripple effect across all IOUs in South Carolina. Accordingly,
16 this proceeding is not the appropriate forum to fully evaluate the impact of
17 witness Howat’s recommendations.

18 Additionally, the Company does not currently track the information
19 requested by witness Howat by zip code in the normal course of its business.
20 Currently, any attempt to provide the requested data by zip code would require the
21 Company to perform a series of ad hoc queries on the Company’s systems to

³ *Quarterly Reports on Involuntary Termination of Electric and/or Gas Service*, Docket. No. 2006-193-EG (July 2006).

1 extract the data, it ultimately does not need to provide service and ordinarily
2 would not track, without a clear way to verify its accuracy.

3 **Q. DOES THE COMPANY COLLECT DATA NOW THAT COULD BE USED**
4 **TO IDENTIFY CUSTOMERS AS “LOW-INCOME”?**

5 A. No. The Company cannot readily distinguish customers by income or any socio-
6 economic indicators in the normal course of its business. Further, Witness Howat
7 refers to “low-income customers” in this context as a customer identified as a
8 participant receiving assistance from the Low Income Home Energy Assistance
9 Program (“LIHEAP”). However, the South Carolina LIHEAP is not required to
10 provide this information to the Company as a prerequisite for a customer to
11 participate in the program. As such, the Company does not receive or track data
12 in such a way that it can readily provide the requested data points by LIHEAP
13 account.

14 **Q. DOES THE COMPANY HAVE PRIVACY CONCERNS REGARDING**
15 **THIS RECOMMENDATION?**

16 A. Yes. The Company handles customer information with the utmost sensitivity and
17 confidentiality. While in the aggregate, witness Howat is requesting detailed,
18 customer-related information broken down by both socioeconomic status and zip
19 code. Having this level of detail readily available to third parties may cause
20 some customers to be concerned with how the data could be used.

1 **Q. DOES THE COMPANY HAVE ANY OTHER CONCERNS WITH**
2 **SHARING THIS INFORMATION AS WITNESS HOWAT**
3 **RECOMMENDS?**

4 A. Yes. Witness Howat asserts this information is needed to assess: (1) the
5 effectiveness of existing regulatory consumer protections and credit and collection
6 practices; (2) the state of home energy security among DE Carolinas' residential
7 customers, and to evaluate the effectiveness of programs and policies intended to
8 protect that security; and (3) the effectiveness of the credit and collection policies
9 and practices of the Company. However, the Company remains unclear on
10 whether and how the requested data points would be used in such an assessment
11 in South Carolina, or how "effectiveness" would be defined as a metric.

12 **Q. MR. HOWAT STATES IN HIS TESTIMONY THAT THE REQUESTED**
13 **MONTHLY DATA IS COLLECTED AND REPORTED ON IN OHIO. ARE**
14 **THERE DIFFERENCES BETWEEN OHIO AND SOUTH CAROLINA**
15 **THAT THE COMMISSION SHOULD BE MADE AWARE?**

16 A. Yes. Mr. Howat is referring to the State of Ohio's Percentage of Income Payment
17 Plan ("PIPP") program, a state-mandated program allowing low-income
18 households to pay a percentage of their household income instead of their actual
19 bill. The State of Ohio requires all regulated gas and electric companies,
20 including Duke Energy Ohio, to participate and the Ohio Development Services
21 Agency (ODSA) governs PIPP for electric customers in Ohio. To be eligible for
22 PIPP, customers must first apply for all energy assistance programs for which they

1 are eligible. Applications for PIPP are then managed through a community action
2 agency, who verifies the customer's eligibility, including income level, on an
3 annual basis. As such, the community action agent is responsible for collecting
4 income-level data and handling reporting obligations to the state associated with
5 the program.

6 **VII. CONCLUSION**

7 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

8 **A. Yes.**